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# ARGUMENT

OF

BURTON HANSON, GENERAL SOLICITOR, CHICAGO, MILWAUKEE  
AND ST. PAUL RAILWAY, BEFORE THE JOINT COM-  
MITTEE ON RAILROADS OF THE LEGISLATURE OF  
WISCONSIN, ON THE SUBJECT OF RAILWAY  
REGULATION, FEBRUARY 28, 1905.

Agriculture, manufactures, commerce and navigation, the four pillars of our prosperity, are the most thriving when left most free to individual enterprise.—THOMAS JEFFERSON.

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**Argument of Burton Hanson, General Solicitor, Chicago,  
Milwaukee & St. Paul Railway, Before the Joint Com-  
mittee on Railroads of the Legislature of Wisconsin, on  
the Subject of Railway Regulation, February 28, 1905.**

MR. CHAIRMAN, AND GENTLEMEN OF THE COMMITTEE:—

The subject of railway rates and regulation has been before the people of Wisconsin as an issue in politics almost constantly for the past two years. The campaign has been one of misrepresentation. Whatever opinions have been formed are the result of political and partisan discussion. There has been no calm deliberation or intelligent investigation of the subject. These discussions have largely grown out of misinformation and a desire to present the subject in a way that would prejudice the people against the railways for the purpose of securing votes. Statements that are untrue in fact or misleading in their effect, when made by persons occupying official position, and persisted in long enough, come to be regarded as truth, and often are used as the basis of legislation.

The people of this state have been misled.

They were misled by the statement that they pay *forty-seven million dollars* a year for freight.

They were misled by the statement that a railway commission could save them *eleven million dollars* annually in freight rates. The fact is that the total freight earnings on Wisconsin business has never

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reached *fourteen million dollars a year*. A commission that would save to the shippers of the state \$11,000,000 of this \$14,000,000 would bankrupt every railway company that is now solvent and at the same time ruin every business enterprise that is immediately dependent upon railway facilities for its success.

They were grossly misled by the statement frequently made to them that a railway commission would save each person in the state substantially five dollars a year.

They were misled when two years ago they were told in the executive message that the freight rates in Wisconsin average from 28 per cent. to 40 per cent. higher than in Iowa.

They were further misled in the executive message of this year when they were told that the excess of Wisconsin rates over Iowa is from 20 to 70 per cent., the percentages being extended in both directions, despite the fact that in Wisconsin a general reduction of rates was put in effect on the first of January, 1904, while no change has been made in the Iowa rates.

They were again misled when they were told that their farms and farm products were worth less here than the farms and farm products of Iowa were worth there, and that this was so because the freight rates were higher here than there. The fact is the Federal census shows that the farm products of the state of Wisconsin are worth in the average 13 per cent. more than those of Iowa. This increase in value is due to the home markets and local consumption provided by the industries fostered by the Wisconsin system of rate adjustment.

It is because of these misleading and untruthful statements made again and again, reiterated and persisted in from the political rostrum, and for partisan purposes, that we are here to-day to consider measures of legislation which in the saner moments of Wisconsin would never have been brought to our attention. The sober second thought which is sure to condemn such legislation as is here proposed, is bound to come as it did thirty years ago, when it demanded the speedy repeal of the so-called Potter law.

The banks as well as the large commercial enterprises of this state are no more ably and conservatively managed than are the Wisconsin railways. The clients of these banks and the customers of these commercial institutions are not more conservatively or considerately treated than are the shippers and passengers on the railways, and yet had the same mendacious campaign been made against these banks and commercial institutions that has been made against the railways, there is not one of them in whom the confidence of the public would not have been shaken.

The issues have proceeded to the point where the responsibility of determination is with you. Your responsibility is not unlike that of the physician, and like the physician, the responsibility increases with the gravity of the case. Exactly as in the practice of the physician, the important question here is the correctness of the diagnosis; that must precede the determination of the treatment. It would not do for the physician to administer drastic remedies when there is no real disease, nor will it do to enact remedial legislation to cure evils which do not exist.

I am here to-day not so much to discuss the merits

or demerits of any particular measure that is now pending before this body, as to attempt to show, as was shown two years ago to the satisfaction of the legislature, that the transportation business of this state is administered by the railways fairly, justly and equitably, and that any legislation which will result in disturbing the present adjustment of rates or which goes beyond the prevention of rebates and discriminations of all sorts and kinds, will produce in Wisconsin the same industrial losses and misfortunes which like legislation has brought to the states of Iowa and Texas.

Legislation as far reaching as that now proposed, and which affects so many interests, ought to be based upon conclusions that have been reached not through heated or partisan political discussion, but as the result of investigation made impartially and by a body of men competent through training and experience to pass intelligently and fairly upon the questions involved. We may well profit by the example and experience of Great Britain. Since the advent of steam railroads in that country in 1830, there have been many parliamentary investigations concerning the relation of the railroads to the public interests. Indeed, there has scarcely been any legislation in that country regulating railways, that has not been preceded by a parliamentary investigation. To quote from Joseph Nimo, Jr., an eminent writer on railway regulation,—

“As the result of these elaborate parliamentary inquiries, abuses of various sorts have been abated, mistaken ideas in regard to the management and regulation of the railroads of Great Britain have been corrected, sensible remedial expedients have been adopted, many questions at issue have been amicably

settled, and public discontent has been allayed. Thus, British statesmen, following the historic example of their illustrious predecessors, have from time to time, in the language of Mr. Gladstone, 'submitted themselves to the lessons of experience and to the lessons of the hour.' ”

In the United States, with an area twenty-five times that of Great Britain and Ireland, and with a railroad mileage of over 200,000 miles, as against 22,000 miles in Great Britain, there has been only one congressional investigation of the railroad question, and that was the senate inquiry of 1886, preceding the passage of the Interstate Commerce Act. Is not the subject important enough to require legislative investigation before legislative action?

#### THE TARIFF RATE.

In the discussion of railway rates and regulation a large number of statistical tables have been prepared purporting to show the amounts which the people pay for freight. These tables are in the main inaccurate and misleading.

All that has ever been presented in any of these comparisons is the tariff rate. This has been used without consideration of the traffic which is moved under it and without reference to whether it was a rate under which traffic is actually moved at all. From these tariff rates thus used, averages have been computed and percentages deduced from the averages.

Of and by itself, the tariff rate proves nothing. The average rate on grain in Wisconsin is *eight* cents per hundred pounds, and the average tariff rate on logs is *two* cents per hundred pounds. On the comparison

of these rates, it would appear that the rate on grain is four times the rate on logs, but *eight* cents carries the grain 150 miles, while *two* cents carries the logs 50 miles; therefore the rate on grain is 1.07 cent per ton per mile and on logs .8 of a cent per ton per mile, the rate on grain being *one-third more* than that on logs and not *four times as much*. To a large extent such error as this runs through all the tabulations and comparisons that have been made.

#### RATES THAT DO NOT CARRY THE TRAFFIC.

The people of Wisconsin have been seriously misled in their consideration of the transportation question by the frequent comparison of rates under which no traffic is moved. At Rhinelander, during one of the political campaigns upon this subject, a very plausible argument was presented, showing that the value of farming land in Oneida County is depreciated \$6.16 per acre in value because the freight rate on oats from there to Milwaukee is 1.09 cent per bushel higher than the rate for a like distance in Iowa. This is a very taking argument, especially among those whose delight is in any statement "against the railroads." But the fact is that it would not make any difference in the shipment of oats from Rhinelander if the rate were \$5 a bushel, and it would be of no benefit to the farmers of Iowa if the rate for the same distance within the state of Iowa were \$5 a car. No oats are shipped from Rhinelander to Milwaukee or anywhere else. Oats are shipped into Rhinelander and the market price at Rhinelander is the value of the oats at Milwaukee with the freight from Milwaukee to Rhinelander added. The Oneida County

farmer can get the same price for his oats at Rhinelander that it would cost to buy the oats at Milwaukee and ship them there, so that in his case the higher the freight, the better his price. He gets the benefit of the freight, and the greater it is, the larger his benefit. Therefore, the excess of 1.09 cent per bushel, if it had any such force at all, would increase the value of his land \$6.16 per acre instead of decreasing it. In Iowa it makes no difference what the rate of oats may be between two points within the state. No oats are shipped between points in Iowa. Oats grow everywhere in that state and everyone there has what he needs. They have no occasion to buy them or ship them in. Iowa oats are shipped to Chicago and eastern points. Therefore, it is of no avail to compare the rate on oats from Rhinelander to Milwaukee with the rate for a like distance in Iowa, and any result deduced from such a comparison is unfair and misleading.

It needs the exercise of no imagination to see the effect which such an argument as this would have upon the voters of that community, coming as it did from the chief executive of the state. It could not fail to have great weight with them. It cannot be denied that it was a material factor in influencing the determination of their votes. Such misrepresentation as this was made throughout the state and throughout the entire campaign on this question. The sentiment that is back of this legislation rests upon this misleading of public opinion. Without it, these bills would not be here today for us to consider.

### RATES TO AND FROM THE MARKET.

Perhaps the most important source of serious misrepresentation in the presentation of the railway rate question in Wisconsin has been the selection for comparison, of rates in Wisconsin which carry the product to market or bring goods from the market, with rates in Iowa which do not reach the market in either direction. It has been practically a universal comparison of market rates with paper rates. It does not make any difference to the shipper what the rate is on commodities he does not ship and it makes equally no difference to him what the rate is between two points to or from which he does not ship. What concerns the shipper of Wisconsin in comparing rates with Iowa, is whether the Iowa shipper can get his commodity to or from the market for less money; and in the overwhelming preponderance of comparisons that have been made between Wisconsin and Iowa, where in both cases compared, the rates reach the market, Wisconsin rates are lower mile for mile. The fact that rates are lower for the same number of miles in Iowa, where nothing can be shipped, and where in fact, nothing compared is ever shipped, is neither a benefit to Iowa nor disadvantage to Wisconsin.

### AVERAGE RATE.

Another important particular in which the arguments made to sustain the railway regulation agitation have been erroneous and misleading is the frequent use of the term "average rate," which as it has been used is in fact neither an average nor a rate. The only way in which an average rate could be made to mean anything would be arrived at by the averag-

ing of rates on which an exactly equal amount of each commodity averaged had been moved. The worthlessness of such computations, as well as their positively misleading character, is shown by the following series of computations: First, we will take the rates in Iowa and Wisconsin on four commodities for the same distance:

COMMODITY	IOWA	WISCONSIN
Grain .....	8.24	8.50
Hay .....	6.17	7.50
Lumber .....	6.41	7.00
Soft Coal.....	5.07	3.75
	—	—
	25.89	26.75
Average rate .....	6.47	6.69

Wisconsin .03 per cent higher than Iowa.

The rate per ton mile for each commodity in both states, is as follows:

COMMODITY	IOWA	WISCONSIN
Grain .....	1.20	1.07
Hay .....	1.00	1.33
Lumber .....	.85	.67
Soft Coal .....	.77	.80
	—	—
	3.82	3.87
Average .....	.95	.97

Wisconsin .03 per cent. higher than Iowa.

But, the fact is that in Iowa these four commodities amount to 55.34 per cent. of the traffic, and are carried at a net amount 16.69 per cent. below the average of revenue, while the same commodities in Wisconsin amount to 43.92 per cent. of the traffic and are carried at a net amount 17.32 per cent. below the average of revenue. Therefore the net traffic result, when the business is applied to the rates, is that on these four

commodities Wisconsin pays .63 per cent. less than Iowa, in spite of the average rates that are, on the face of them, higher. These are as plausible comparisons as any which have been made, they are as accurate as any that have been made and are as misleading as any that have been made. They have all of the characteristics of the comparisons which have been presented to the people for the formation of their opinion upon this important question and yet, when analyzed, they show the exact opposite of the facts.

Conclusions based upon such premises as these cannot fail to be as erroneous as the basis of them is false, and yet it is upon these arguments that the opinions of the people of the state of Wisconsin, concerning the regulation of railroad rates have been built. They have been led to believe that the rates of Wisconsin are higher than those of Iowa, and that the farmer of Iowa gets his product to market for less money than the farmer of Wisconsin; that the merchant of Iowa gets his goods from the market for less money than the merchant of Wisconsin. This conviction has been forced upon them by the comparison of elements which are not related to each other, and between which no comparison is possible that will produce an intelligible result. The rates of freight do not represent what the people pay, nor do the miles on the schedules of the railroads represent the haul of their tonnage. *A rate does not become a factor in traffic until it is applied to a commodity shipped, and a given number of miles has no relation to the freight service of a state until a commodity is moved that distance. The determining factor in any consideration of transportation, and the only factor upon*

*which the cost of the service can be ascertained is the application of the traffic moved to the rate and the distance.*

Not until the traffic of the states of Iowa and Wisconsin is analyzed and the rates under which it is moved are applied to the commodities actually transported, can a result be reached upon which to base an intelligent opinion. The campaign for railway regulation has been carried forward wholly upon the paper basis of rates and distance, with no reference to the actual results arrived at from the traffic. We are now confronted with bills which have been presented to the legislature for the purpose of correcting the evils of a situation which is claimed to exist, the existence of which is dependent for proof upon the arguments that have been based on such foundation as this. If the condition does not exist and if the people have been led into the belief of substantially the exact opposite from the real truth, it would seem to follow that a large measure of the reason for the passage of such a law is thereby removed.

Reduced to a general statement, the claims for the passage of these bills may be said to rest upon the contention that the rates charged for freight in Wisconsin are too high and that they are inequitably distributed; the specification of the general charge resting upon comparisons with assumed conditions in the state of Iowa.

## Analysis of Traffic in Wisconsin.

COMMODITY.	Per Cent of Total Traffic	Average Rate Per Gwt.	Average Rate Per Haul	Average Rate Per Ton Mile	Per Cent Higher than Avg'	Per Cent Affected	Per Cent Increase Rate Per Ton Mile	Per Cent Lower Rate per Ton Mile	Per Cent Traffic Affected	Per Cent Decrease Rate per Ton Mile
Flour	4.61	8.	150	1.07	...	...	...	23.02	4.61	1.0612
Other Mill Products	1.11	8.	150	1.07	...	...	...	23.02	1.11	.2555
Grain	13.38	8.	150	1.33	...	...	...	13.38	3.0801	...
Hay	1.44	10.	150	1.33	...	...	...	4.32	1.44	.0622
Leaf Tobacco	.07	17.5	125	2.80	101.44	.07	.0710	...	...	...
Fruit and Vegetables	2.59	12.	175	1.37	...	...	...	1.44	2.59	.0373
Liv. Stock	2.47	16.	175	1.83	31.65	2.47	.7817	...	...	...
Dressed Meats	.25	17.	200	1.70	22.30	.25	.0557	6.47	.33	.0213
Other Packing House Products	.33	13.	200	1.30	...	...	...	...	...	...
Poultry, Game and Fish	.28	40.	200	4.00	187.77	.28	.5257	...	...	...
Wool	.15	25.	150	3.33	139.57	.15	.2093	23.02	...	...
Hides and Leather	1.15	8.	150	1.07	...	...	...	42.45	3.48	.0345
Hard Coal	3.48	5.	125	.80	...	...	...	42.45	9.57	1.4773
Soft Coal	9.57	5.	125	.80	...	...	...	53.96	.29	4.0625
Coke	.29	4.	125	.64	...	...	...	61.87	5.58	.1564
Cores	5.58	2.	75	.53	...	...	...	35.25	1.56	.34578
Stone, Sand, etc.	1.56	2.25	50	.90	...	...	...	...	...	...
Salt	.72	8.	75	2.13	53.21	.72	.3833	51.80	19.53	.5499
Lumber	19.53	10.	300	.67	...	...	...	...	...	10.1163
Logs	9.64	2.	50	.80	...	...	...	42.45	9.64	4.0922
Oils	.40	13.	200	1.30	...	...	...	6.47	.40	.0239
Sugar	.20	10.	150	1.33	...	...	...	4.32	...	.0086
Iron, Pig and Bloom	1.03	5.	150	.67	...	...	...	51.80	1.03	.5335
" Rails	.34	5.	200	.50	...	...	...	64.03	.34	2177
Castings and Machinery	.82	5.	125	.80	...	...	...	42.45	.82	.3481
" Bar and Sheet Metal	.58	5.	125	.80	...	...	...	42.45	.58	.2462
Cement, Brick and Lime	2.29	5.	150	.67	...	...	...	51.80	2.29	1.1863
Agricultural Implements	.43	15.	200	1.50	7.91	.43	...	...	...	...
Wagons, Carriages, etc.	.34	15.	200	1.50	7.91	.34	.0269	...	...	...
Wines, Liquors and Beer	1.47	12.50	150	1.67	20.11	1.47	.2960	...	...	...
Household Goods and Furniture	.45	12.50	200	1.25	...	...	...	10.07	.45	.0453
Miscellaneous	6.84	15.	150	1.67	20.14	6.84	1.3776	...	...	...
Merchandise	7.61	22.50	150	3.00	115.83	7.61	8.8147	...	...	...
Totals . . . . .	100.00				45.87	707.90	20.63	12.5759	707.93	79.37
					Average . . . . .	1.39				31.0762

## Analysis of Traffic in Iowa.

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COMMODITY.	Per Cent of Total Traffic	Average Rate per Cwt.	Average Rate per Haul	Average Rate per Ton Mile	Per Cent Higher than Av'g Affected	Per Cent Increase in Rate per Ton Mile	Per Cent Lower than Av'g Affected	Per Cent Traffic Affected	Per Cent Decrease Rate per Ton Mile
Flour	2.54	12.	200	1.20	.....	.....	14.89	2.54	.3782
Other Mill Products	1.90	12.	200	1.20	.....	.....	14.89	1.90	.2829
Grain	21.55	12.	200	1.20	.....	.....	14.89	24.55	3.6554
Hay	1.14	15.	300	1.00	2.13	1.53	.0326	1.14	.3315
Fruit and Vegetables	1.53	7.2	100	1.44	.....	.....	10.61	9.68	1.0299
Live Stock	9.68	22.	350	1.26	.....	.....	12.77	.67	.0855
Dressed Meats	.67	18.50	300	1.23	.....	.....	12.77	1.56	.1992
Other Packing House Products	1.56	18.50	300	1.23	.....	.....	12.77	.....	.....
Poultry, Game and Fish	1.15	50.	300	3.33	136.88	1.5	205.53	.....	.....
Wool	.15	40.	300	2.67	89.79	.15	131.7	.....	.....
Hides and Leather	.09	18.50	300	1.23	.....	.....	12.77	.09	.0114
Hard Coal	1.12	11.25	300	.75	.....	.....	46.99	1.12	.5262
Soft Coal	21.62	5.75	150	.77	.....	.....	45.39	21.62	9.5163
Coke	.22	11.25	300	1.23	.....	.....	12.77	.22	.0280
Ores	.07	10.	200	1.00	.....	.....	29.08	.07	.0203
Stone, Sand, etc	3.19	4.	.50	1.60	13.48	3.19	.4301	52.48	.....
Salt	.29	10.	300	.67	.....	.....	39.72	.29	.1521
Lumber	8.03	17.*	400	.85	.....	.....	8.03	.85	.1895
Logs, etc.	.72	3.3	50	1.32	.....	.....	6.38	.72	.0459
Oils	.47	22.	300	1.47	4.26	.47	.0200	.....	.....
Sugar	.42	22.	300	1.47	4.26	.42	.0179	.....	.....
Iron, Pig and Bloom	.26	12.50	300	.83	.....	.....	41.13	.26	.1069
" Rails	.28	10.	300	.67	.....	.....	52.48	.28	.1469
Castings and Machinery	.35	20.	300	1.33	.....	.....	5.74	.35	.0200
Bar and Sheet Metal	.28	20.	300	1.33	.....	.....	5.74	.28	.0160
Cement, Brick and Lime	2.63	5.85	100	1.17	.....	.....	17.02	2.63	.4476
Agricultural Implements	.70	25.	250	2.00	41.84	.70	.2929	.....	.....
Wagons, Carriages, etc.	.58	25.	250	2.00	41.84	.58	.2427	.....	.....
Wines, Liquors and Beer	.35	20.	300	1.33	.....	.....	5.74	.35	.0200
Household Goods and Furniture	1.03	20.	250	1.60	13.48	1.03	1388	.....	.....
Miscellaneous	6.50	27.	250	2.16	46.10	6.50	2.9905	.....	.....
Merchandise	6.93	19.50	150	2.60	84.40	6.93	5.8189	.....	.....
Totals .....	100.00			45.14	178.46	21.65	10.3604	483.36	78.35
				Average...1.41					20.2797

#### THE BASIS OF THE TABLES.

The basis of the tables presented herewith is the percentage of each class of commodity carried in both Iowa and Wisconsin as shown by the reports of the railroad commission of each state for the year 1902. This is the latest year for which complete reports are published in both states, and in a volume of traffic as large as that which is treated here, the difference in the proportion of each commodity carried will not be material as between different years. It should be borne in mind that the object of these tables is to establish the relation of rates to other rates in showing which the proportion of the whole traffic, rather than the actual volume of the traffic, is the important factor.

#### THE RATE PER TON MILE.

It is practically an impossibility to arrive at the exact and actual rate per ton mile at which each commodity is carried in the business treated in these tables. To do this would require the compilation of every waybill on every individual shipment in both states for the entire year, a task which is manifestly out of all proportion to the value of the result thus attained. It is not intended to represent that the rate per ton mile for each commodity as given in these tables is the exact rate per ton mile which the traffic in each instance bears, but it is approximately so, and for the purpose of comparison they are relatively accurate. They are arrived at by taking the best judgment of a number of traffic officials familiar with the business of both states as to the average haul on each of the different commodities, which will carry them

to and from the market, and the average rate which will carry the commodity for that haul. The accuracy of the judgment of these gentlemen is amply attested by the fact that the net result arrived at from their estimates is substantially the same as a computation of the rate per ton mile shown by dividing the total freight receipts of each state by the total ton mileage.

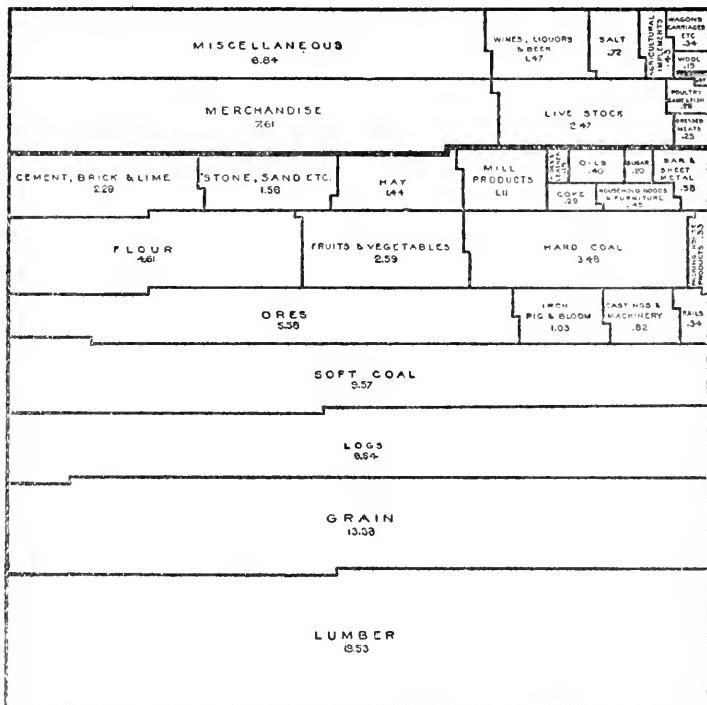
#### MODIFICATION OF RATE BY TRAFFIC.

It has long been recognized by traffic officials that the revenue from freight is beyond their control. It has long been established that the traffic will not produce in the aggregate the result called for by the tariffs. This is shown very conclusively by these tables, in which the amount of modification of the net rate per ton mile resulting from the character of the traffic carried is presented. The average rate called for by the separate rates per ton mile in the Wisconsin table is 1.39 cent, and if an equal amount of traffic were carried under each of the rates, the net rate per ton mile on the business carried would be 1.39 cent. But we find that 7.61 per cent. of the business is merchandise carried at 115.83 per cent above the average rate. So that the net result is increased 7.61 per cent. of 115.83 per cent. or 8.81 per cent. On the other hand, we find that 19.53 per cent. is lumber, which is carried at 51.80 per cent. below the average rate, which results in a decrease of the average amounting to 10.12 per cent. Carrying these figures out, we find that in Wisconsin 79.37 per cent. of the traffic results in a decrease of the average rate

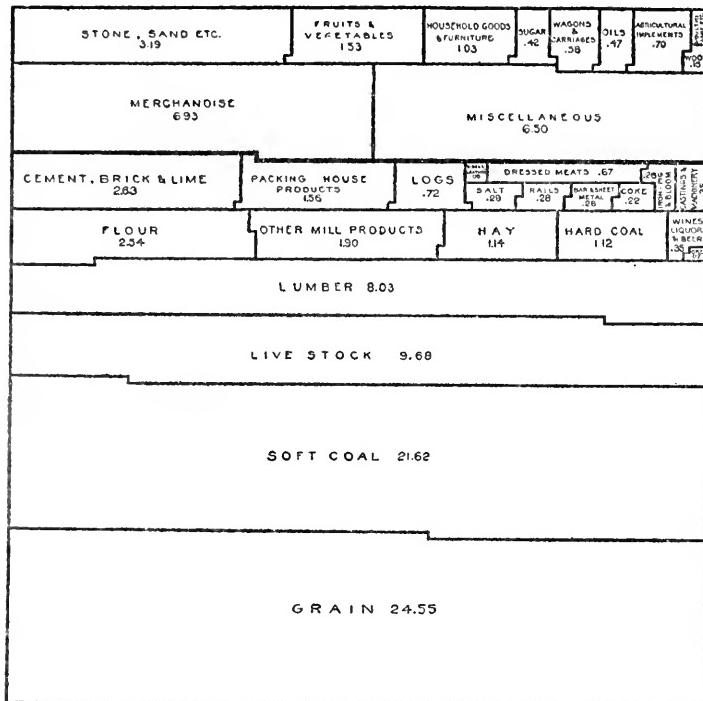
of 31.08 per cent., while 20.63 per cent. of the traffic results in an increase of 12.58 per cent. This makes a net reduction of 18.49 per cent. in the rate per ton mile, which amounts to .26 of a cent and reduces the rate per ton mile from 1.39 to 1.13. In Iowa we find that the average rate per ton mile as shown by the estimated rates per ton mile is 1.41 cent, and that 78.35 per cent. of the traffic decreases the rate 20.28 per cent., while 21.65 per cent. of the traffic increases the rate 10.36 per cent., making a net decrease of 9.92 per cent., which reduces the rate of 1.41 cent to 1.27 cent. This shows that the net rate per ton mile in Iowa for that year was 12.3 per cent. higher than Wisconsin, which is in some measure accounted for by the fact that 24.5 per cent. of the Iowa traffic is grain, which is carried at 12.15 per cent. higher than Wisconsin. The rate is not only that much higher than Wisconsin, but the volume is almost twice as much. These two elements go a long way toward accounting for the difference in net rate per ton mile. The fact is, that taking the different character of the traffic displayed into account, the adjustment of rates as between Iowa and Wisconsin is remarkably just and equitable.

DIAGRAMS OF TRAFFIC.

## PROPORTIONAL VOLUME OF VARIOUS COMMODITIES IN WISCONSIN TRAFFIC



## PROPORTIONAL VOLUME OF VARIOUS COMMODITIES IN IOWA TRAFFIC.



The diagrams are prepared to scale for the purpose of exhibiting the proportional relations of the different lines of data contained in the tables.

#### PROPORTIONAL VOLUME OF TRAFFIC.

These diagrams both for Wisconsin and Iowa show the proportional amount of each class of commodity handled, and it is to be noted that the Wisconsin diagram shows a rather more even distribution of commodity, and a slightly reduced tendency to concentration within a few lines. To a large extent this is governed by the difference in the character of the two states. Iowa is an essentially agricultural state, the great bulk of her traffic being limited to grain, soft coal and live stock, together with lumber, which forms a staple bulk in the traffic of all states. Wisconsin, on the other hand, shows an increase over Iowa in flour, which is an industry fostered by the milling-in-transit rate, and also in hard coal in which the traffic is stimulated by the commodity tariffs. In the area in which Iowa shows four commodities Wisconsin shows eight, which represents in a general way the diversity of interest in Wisconsin, and the concentration of business in Iowa. This difference is largely due to the adjustment of railway rates to the needs of business, rather than determined by the arbitrary rule of distance. The one meets the necessities of commerce, while the other forces commerce within its limitations.

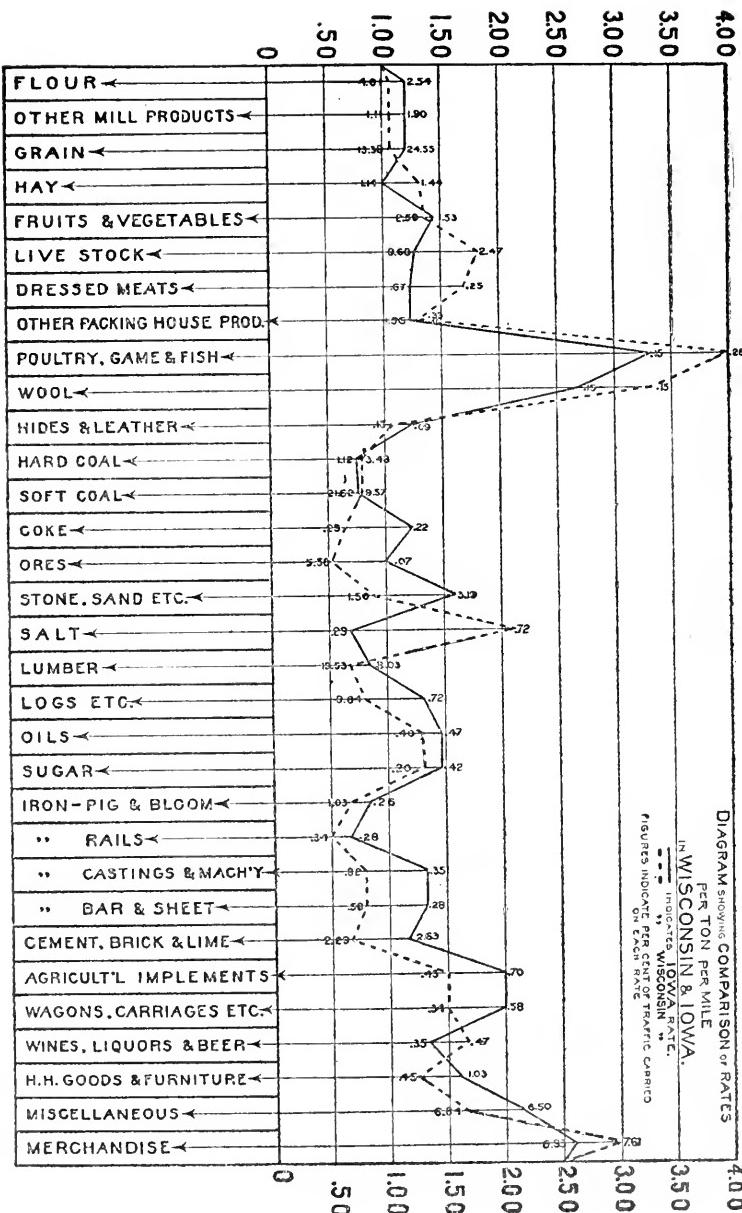
### THE RELATIVE RATE PER TON MILE IN IOWA AND WISCONSIN.

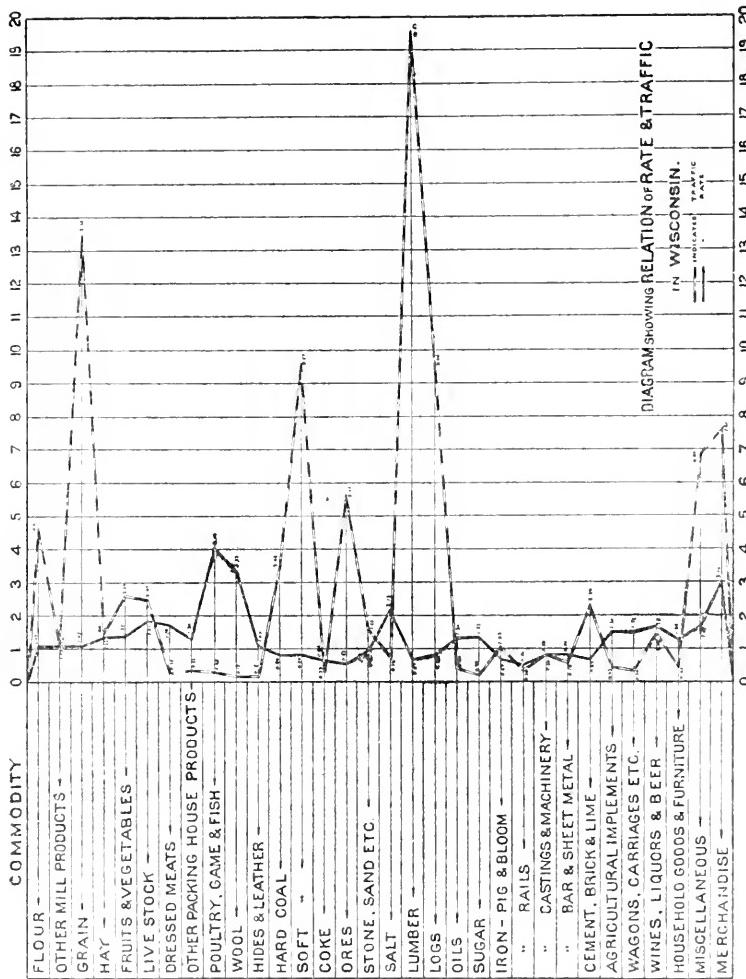
The diagram showing the relative rate per ton mile in Iowa and Wisconsin, is a complete exposition of the fact that as between the two states, the rates are, generally speaking, not dissimilar. Especial attention on this diagram is called to the figures indicating the amount of traffic moved on the different rates. In all considerations of transportation matters, this is the important factor. For instance, Wisconsin shows a rate of four cents per ton mile on poultry, while only .28 of one per cent. is moved under this rate. On the other hand, Wisconsin shows a rate of .67 of a cent per ton mile on lumber on which practically one-fifth of the entire traffic of the state is moved. On the basis on which all rate comparisons have heretofore been made, the rate on the poultry would stand as an equal factor with the rate on the lumber. But when the amount of traffic moved under the two rates is considered, the exceedingly high rate on the poultry becomes of infinitesimal consideration in the regulation of transportation. There is another element to be considered, and that is the value of the commodities transported. The exceedingly high rate on poultry puts the dressed poultry down in the market at a tax of not exceeding  $2\frac{1}{2}$  per cent. of its value, while the exceedingly low rate on lumber, taxes that commodity 15 per cent. for delivery. Certainly, the poultry raiser could hardly expect to get his product to market for less than  $2\frac{1}{2}$  per cent., and no one could in fairness ask the lumberman to pay more than 15 per cent. for the market of his product. Similar comparisons to this run all through this diagram. It not

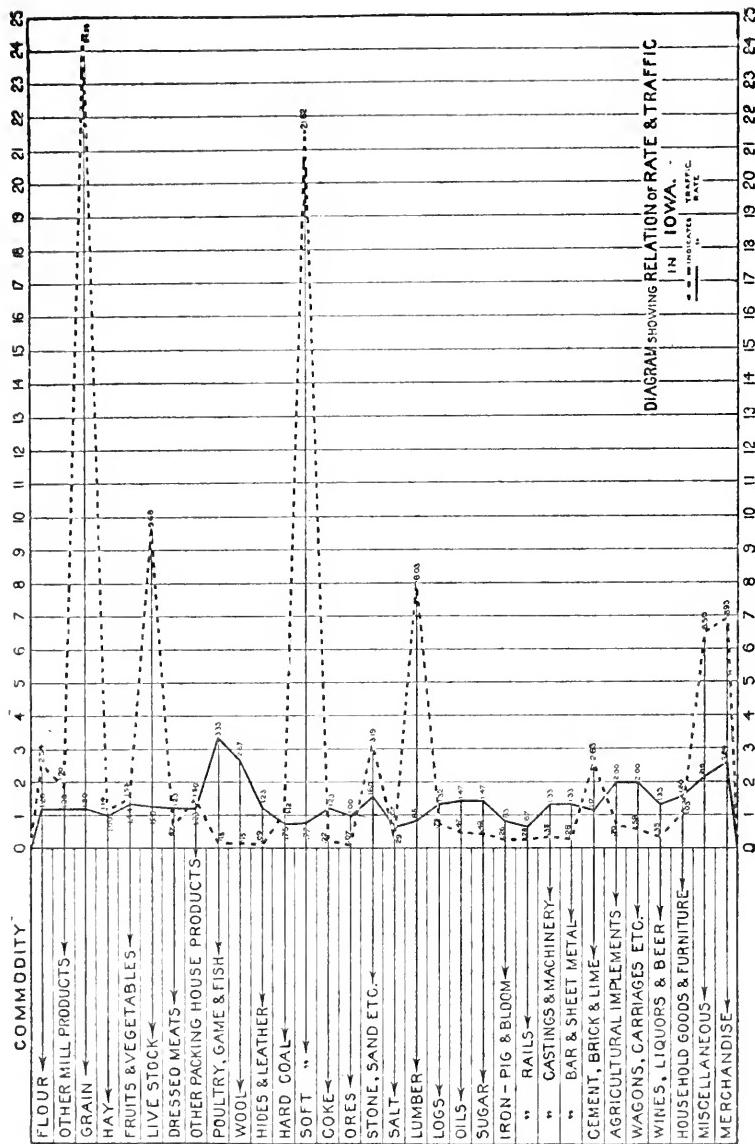
only shows the justness of the Wisconsin rates, but the more thoroughly it is studied, the more strongly will it demonstrate that rate making is not only technical and scientific in the abstract, but that there is much of scientific application and much more of justice in the adjustment of those rates.

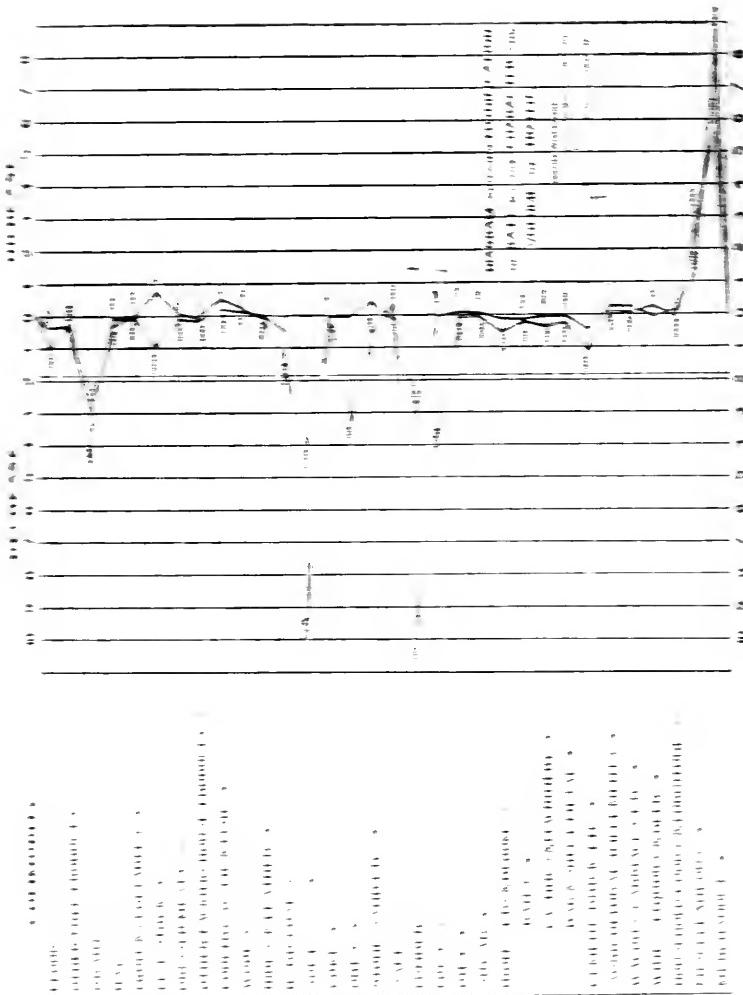
#### THE RELATION OF RATE TO TRAFFIC.

These diagrams for both Iowa and Wisconsin show the relation of rate and traffic, and illustrate the fact that the large volume of traffic moves on the low rate and that the high rates carry the small volume.









### RELATIVE WISCONSIN RATES.

In the state of Wisconsin ten principal commodities of traffic which comprise in the aggregate 66.36 per cent. of the entire traffic of the state, are carried at an average rate per ton mile of .74 of a per cent., being .01 of a cent lower than the average rate per ton mile for all the traffic of the entire country. These ten principal commodities are also transported at an average rate per ton mile .15 of a cent lower than the average rate per ton mile for all the business of the entire system of the Chicago, Milwaukee & St. Paul Railway.

These are the commodities upon which the commerce of the state of Wisconsin rests and upon which to a very large extent its prosperity depends. In the face of such a showing as this, it does not seem either reasonable or fair to attempt to charge the railroads of Wisconsin with extortion. The following are the commodities, together with the rate per ton mile and the percentage of traffic which they bear.

	RATE PER TON MILE	PCT. TENT. OF TRAFFIC
Grain	.74	11.38
Fruit	.74	1.17
Lumber	.74	10.62
Digs	.74	1.14
Soft coal	.74	1.07
Coke	.74	1.05
Canes	.74	1.03
Pig iron	.74	1.01
Rails	.74	1.00
Chalk &c.	.74	1.00
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AVERAGE RATE	.74	66.36

Taking the rates of the state in comparison with each other, we find that 79.37 per cent. is carried below the average ton mile tariff rate for the state, and 20.63 per cent. above the average. When the average rate is applied to the volume of traffic, the net revenue of the carriers is increased 12.58 per cent. by the amount that is carried above the average rate, and the amount which is carried below the average decreases the net revenue 31.08 per cent., making the final result of the application of the traffic to the rate a net reduction of 18.49 per cent. It is this fundamental element of the rate question which has never been considered in all the arguments upon which the people of Wisconsin have been asked to base their judgment.

The utter futility of comparing tariff rates is illustrated by the analysis of traffic presented herewith. The traffic rate per ton mile on poultry is 187.77 per cent. higher than the average rate. On the face of it, presented to the poultry raisers of Wisconsin, this statement could not fail to create the impression that they were unfairly dealt with, and as it has been so frequently put to them, "robbed." The fact is that the traffic in this commodity amounts to .28 of one per cent. of the total traffic, and the total amount of freight paid under this rate for 1902 was \$260,167.56, of which the amount added by the excess over the average is \$169,759.40. On the other hand the grain of the state which amounts to 13.38 per cent. of the traffic, is carried at 23.2 per cent. below the average tariff rate per ton mile on which the total freight paid is \$3,325,704.25, the reduction by the variation from average amounting to \$994,514.31, or almost a million dollars a year. While the effect of the increase from

average on poultry would have been vigorously called to the attention of the farmers of Wisconsin, nothing has ever been said to them about the decrease from average on grain. The fact is that there is no basis except that of the relation of freight to the value of the commodity transported, on which the relative rates of different commodities can be compared. The rate on poultry is 4 cents per ton mile and the rate on grain is 1.07 cent per ton mile. Both these figures are absolute and not in any way relative; there is no way in which they can be made so. The only question to be determined is whether 4 cents is a fair rate on poultry and whether 1.07 cent is a fair rate on grain. The rate on poultry lays the product down at the market for 2.5 per cent. of its value, and the rate on grain lays that down in the market for about 12 per cent. of its value. This reduces the transportation of the two commodities to a basis on which the relative rates can be compared, and there is no other basis on which any relation between the rates on different commodities can be shown. From this comparison it appears that the rate which is 187.77 per cent. higher than the average rate is actually lower than the rate which is 23.2 per cent. below the average, so far as results are concerned. This is a basis to which no rate comparison out of all the thousands that have been made, has never been reduced.

#### REVENUE DETERMINED BY TRAFFIC, NOT RATE.

It should be understood that in all the discussion of the analysis of traffic presented herewith, the term average rate is used merely as an arbitrary point of computation. The fact that a rate is above or below

this arbitrary point has no bearing whatever of itself on the question as to whether the rate is high or low. The actual amount received for transportation depends as much on the character and amount of the tonnage as it does on the rate. It is therefore necessary to arrive at a point at which the rate would be fixed, if an equal amount of tonnage were moved at each of the different rates, in order to compute the amount which a variation in amounts of tonnage at varying rates affects the result. This is important as showing that the regulation of tariff rates either by the carriers or by a commission, will not determine the revenue to be derived from the traffic. A decrease of the proportion of a commodity carried at below the average of the tariff rates will reduce the revenue without any modification of rate, while an increase of any commodity carried above the rate will increase it. The tariff rates are merely the measure with which the traffic is reduced to revenue. The amount of the revenue is determined by the volume of commodities measured after the measure has been fixed. For instance, if it is proposed to reduce the revenue of the carriers, it is a practical impossibility to determine in advance what result a given reduction in rates would produce.

Let us suppose, for illustration, that it is determined to reduce the revenue 10 per cent. On the theory on which railway rates have heretofore been discussed, this could be arrived at by making a general or horizontal reduction of 10 per cent. in the tariff rates. This would reduce the average of the tariff rate per ton mile as shown on the accompanying analysis of Wisconsin traffic from 1.39 cent to 1.25 cent. The tariff

rate is modified 18.49 per cent. by the character of the traffic which in the case of the present average reduces it to 1.13 and after the 10 per cent. reduction would reduce it to 1.02. This would be a net reduction of .23 of a cent instead of .26 of a cent., or a result 20 per cent. in error. But even if the reduction were made by a percentage that would reduce the net result 10 per cent., the only thing that would actually produce that effect in the end would be the exact maintenance of the proportions of traffic between the different commodities, as it existed at the time of the reduction.

#### THE ADJUSTMENT OF RATES.

The adjustment of rates as between each other, as shown by these tables and diagrams, is very interesting and instructive. This is especially so, as there is no basis known to the transportation expert, on which a given rate for a given commodity can be arbitrarily arrived at. The traffic official cannot fall back on the simple computation of cost, as the merchant can, in arriving at his charge. The elements of cost which enter into transportation are entirely beyond human knowledge in advance of the performance of the service, and are only subject to general estimate, as related to any particular item transported, after the service is performed. The element of cost in transportation is a very elusive factor. The only method known to the traffic official, is to find the rate that will move the traffic. In the very nature of this process, it is no rule at all. It is for this reason that wherever the regulation of railway rates by arbitrary limitations or by inexperienced effort has been attempted, it has resulted in disaster to the carriers, and misfortune to

the shippers. In Texas, where rates are made by a state commission, the business of the state has been concentrated at the points favored by the discriminations of the commission, and within the lines aided by their inexpert and experimental rate-fixing. In Iowa the inelastic nature of the tariff based only on distance has driven practically everything except agricultural and mercantile business out of the state. The result of removing from commerce the benefits of properly adjusting its transportation rates is strikingly shown by the effect upon the business of Iowa. In 1902 the strictly local business of the Chicago, Milwaukee & St. Paul Railway in Iowa was 18.6 per cent. of its total business in that state, while in Wisconsin the local business was 29.2 per cent., the fostering of local business by the adjustment of rates giving the people of Wisconsin 59 per cent. more of their own business than the people of Iowa could secure under the inelastic rates provided by a distance tariff under maximum limits. This explains, to a degree at least, the following editorial which appeared in the Des Moines *Daily Capital*, February 4, 1902:

The people of Iowa realize that they have a great state and they are proud of it, but they are asking themselves why manufacturing industries, according to the census of 1900, increased in a greater proportion in Wisconsin, Illinois and Missouri than in good old Iowa. Iowa has great coal fields—in fact is the sixth state in the union in the production of bituminous coal. In some parts of the state oak and hickory wood suitable for wagon timber abound. In all parts corn and potatoes are produced, and corn and potatoes make starch. In all parts of the state sweet corn, tomatoes, peas, beans, pumpkins, squashes, and everything going to make up canned goods are grown in abundance.

The soil is especially adapted to growing oats for oatmeal; likewise it will produce broom corn of the

best quality. Milk is already a great product and there is room for condensed milk factories. Hogs and cattle are the well known staples, but packing houses are few; in fact, fewer than they were ten years ago. With all these raw materials at hand, why has Iowa not grown in manufacturing industries? *The Capital* is free to say that we believe the fault is with the Iowa railroad law and its ironbound conditions. There has been no reduction of interstate rates to and from Iowa points in twelve years, not since the present Iowa railroad law was enacted.

Not a single new industry has been built up in Iowa on account of the present law. No one industry has been especially favored and developed, excepting the wholesale grocery trade, which appears to have especially flourished. What is to be done under these circumstances? What can be done for the upbuilding of Iowa industries, Iowa factories, and Iowa packing houses? There must be some loosening up of railroad matters to allow factories and packing houses to be taken care of. There will be no particular development under present conditions. Numerous packing houses and other industrial establishments are standing idle in various parts of the state. Others have been removed to Illinois and other neighboring states.

They have not gone to Chicago. They have not been swallowed up by the great cities. They have gone to towns in Illinois and other states no larger than those they left behind. What committee of the legislature will have the foresight to take up and deal with this problem honestly and conscientiously? The prosperity of the Iowa farm depends much upon the prosperity of the Iowa factory. These are pressing problems that ought to be considered by the proper committees of the present general assembly.

To this astonishing exposition of the industrial condition of Iowa, might well have been added a reference to the fact that with all the live stock which is raised there, not a hide is tanned in the entire state, while Wisconsin, with very little live stock produced, has large and growing tanning industries.

The United States census shows that between 1890 and 1900 the manufacturing establishments of the State of Texas increased in number 3,290, or 131 per cent. But when this increase is examined it shows that the regulation of railway rates has not only not developed manufacturing in Texas, but has had quite the contrary effect. Of the increase of 3,290 "manufacturing" establishments, we find upon consulting the details that 2,650 were cotton gins, 90 were cotton seed oil and cake mills and 325 newspaper and printing plants, none of which "manufacture" anything; 184 were "saddlery" establishments, which includes harness shops and repair shops, and 323 were lumber mills which are located there because the timber is there, and not because the rates are favorable. As these five items alone amount to 282 more than the total increase, it is evident that there must have been, in general a decrease. Not only is there no increase in manufacturing in Texas, but under the system of rates in force there manufacturing is being centralized, as it is impossible to distribute it without the adjustment of rates to conditions. It is significant that while the Texas commission has been given the power to make this adjustment, it is evident they lack the ability to produce the result which the railroads have produced in other states. In the one matter of flouring mills is presented a very convincing exposition of the industrial effect of taking the rate-making power away from people who know how to make rates. In 1890, when the tariffs of the railroad companies were in force in Texas, there were 690 flouring and grist mills reported in the state, while in 1900, after almost ten years of railroad regulation, the only important industry in the State of Texas that vitally depended on the adjust-

ment of freight rates, had been reduced to 289 establishments. The number of mills decreased 58 per cent., while in the same time the production of cereals in the state increased 70 per cent. But, the most startling showing is that in the face of a reduction of 58 per cent. in the number of establishments the total output increased 24 per cent., showing that the small mill is being driven out, and the business concentrated in the hands of those who happen to be located advantageously. Under the proper adjustment of freight rates these inequalities of location are overcome. This is the whole problem of rate making, and one which the Texas commission after ten years of effort, has shown itself absolutely unable to solve. It has cost 58 per cent. of the flour mills of Texas their industrial existence, in the face of an increase of 70 per cent. in the raw material and an increase of 24 per cent. of the output, to change the adjustment of freight rates from the hands of the railroads who know how, to the hands of commissioners who do not know how. On the other hand, in Wisconsin, under the transportation administration of the railways, while the production of cereals in the state increased but 8 per cent., the product of flour and grist mills increased 54 per cent., showing that Wisconsin not only mills her own wheat, but brings it in to a large extent from other states. The number of mills increased 44 per cent., showing that the policy of the railroads is to afford distribution of business rather than its concentration. In other words, with state regulation in Texas they have no flour mills where they had them once, and with railroad management they have mills in Wisconsin where they did not have them ten years ago. On the other hand, the government regulation of rates in

Texas, has concentrated the milling business in the hands of a few, driven 58 per cent. of the mills in the state out of the business, and driven 40 per cent. of the increased cereal production out of the state to be milled. While this has been going on in Texas, the railroads have provided tariffs in Wisconsin under which the milling output increased 26 per cent. more than the production of cereals within this state, and the new mills established made an increase of 44 per cent.

In Texas there are 93 kinds of industries reported in the census, of which 17 show over a million dollars investment each. In Wisconsin with less area and less population there are 155 lines of industry reported of which 37 show over a million dollars investment each. If the Texas system of adjusting rates was conducive to industrial development, it would seem that in the ten years it has been in operation something other than negative results would have been attained.

The analysis of Wisconsin traffic which is used in this connection shows in detail how the adjustment of rates has worked itself out in the course of years, under the skillful hands of the traffic experts who have had them in charge. It would be much easier to say that this adjustment should be revised, than it would be to say how it shall be revised. No specific inequities are complained of, it is not charged that any industry of Wisconsin is suffering from excessive freight rates, agriculture is thriving, and the merchants of the state are prosperous. The more the traffic of the state as it is now controlled is studied, the less there appears to be any adequate reason, founded upon just cause, for making any radical change in

the transportation system of the state. In comparing the analysis of the traffic of Wisconsin with Iowa, there appears to be still less reason for making any change. In comparing conditions in Wisconsin with those in Texas, there seems to be every reason for avoiding a change. In Iowa the same number of commodities are carried at above the average rate that are in Wisconsin, the tonnage on them is 1.02 per cent. greater than in Wisconsin, and the additions to revenue from them 2.21 per cent. less than Wisconsin, while the tonnage carried at less than the average rate in Iowa is 1.02 per cent. less than Wisconsin and the decrease of revenue therefrom is 10.80 per cent. less. There is nothing in the adjustment of the rates in either state as between each other, that specially argues in favor of either one. Each seems to be well calculated to carry to market the traffic which each state produces. But it should be remembered that the bulk of the traffic which moves from Iowa to market moves under interstate rates, and not under rates fixed by the Iowa commission. The leading industrial product of Iowa is soft coal, and the leading industrial product of Wisconsin is lumber. Soft coal is handled in Wisconsin at 4 per cent. higher than Iowa and lumber is handled in Iowa at 27 per cent. higher than Wisconsin. Certainly Wisconsin is not at a disadvantage on her principal commodity. Grain is an outgoing product in both states and is handled in Iowa at 12 per cent. higher than Wisconsin. Wherever the rates on specific items are compared, it will be found that the ruling interests of the communities served are met by the rates. What puts Iowa at a disadvantage, and con-

fines her activities practically entirely within her natural limitations, is the prohibition which the laws of that state place upon the railroads in adjusting the rates other than within the fixed degrees of distance. All that has saved Iowa from dire results is the adjustment of interstate rates into other states for market.

#### THE TAX OF TRANSPORTATION ON COMMERCE.

There has been more or less discussion in the various arguments which have been made against the railway administration of transportation in Wisconsin, of the fact that transportation is a tax on commerce, and that as such it is of the utmost importance that it be justly and equitably levied. All this argument has been indulged in with no attempt to prepare a schedule of the rates upon which this levy is made, though such a schedule is a very easy exhibit to prepare. Perhaps it has better served the purpose of the opponents of the railways to leave this matter largely in generality, so that people might be more readily scared with the exercise of the taxing power by a private corporation, than they would be by the facts showing how that power is exercised.

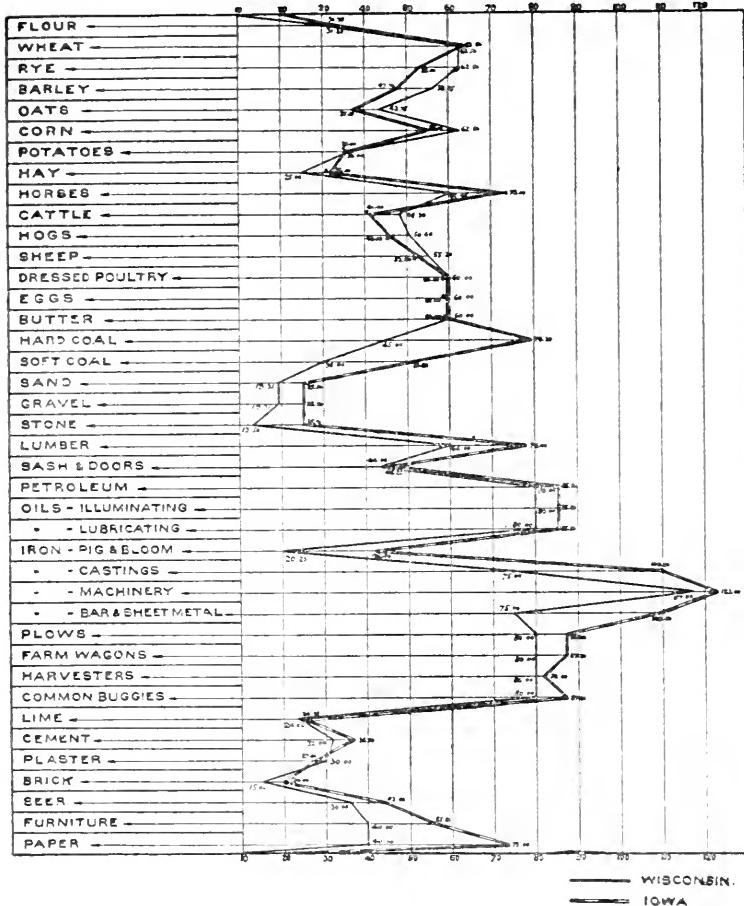
The accompanying table shows an estimate of the value of a carload of various commodities together with the freight on each in both Wisconsin and Iowa, and a computation of the tax which is levied upon commerce in each state on each of the specified commodities, in Iowa by the government, and in Wisconsin by the railroads. It is not a showing which is

THE TAX OF TRANSPORTATION ON COMMERCE.

## The Tax of Transportation on Commerce.

Commodity	Wisconsin				Iowa				Ratio of Freight To Value
	Weight Per Car	Value Per Car	From	To	Freight Per Car	From	To	Freight Per Car	
Flour . . . . .	25,000	\$450.00	Eau Claire	Milwaukee	\$31.25	7.	265	Iowa, Distance Tariff	\$ 31.75
Wheat . . . . .	50,000	500.00	"	"	62.50	12.5	265	"	63.50
Rye . . . . .	50,000	500.00	"	"	62.50	12.5	265	"	53.50
Barley . . . . .	45,000	400.00	"	"	56.25	14.	265	"	47.70
Oats . . . . .	35,000	350.00	"	"	43.75	12.5	265	"	37.10
Corn . . . . .	50,000	200.00	"	"	62.50	31.2	265	"	55.00
Potatoes . . . . .	30,000	150.00	Kilbourne City	Chicago	36.00	24.0	25.0	Oxford, Ia., Cambridge	36.00
Hay . . . . .	20,000	100.00	Chicago	Merrill	25.00	25.0	25.0	Dedham	24.0
Horses . . . . .	20,000	2,500.00	"	Star Lake	48.30	2.4	2.4	"	32.00
Cattle . . . . .	23,000	1,250.00	Sparta	Chicago	50.00	3.9	3.9	Van Horn	73.00
Hogs . . . . .	23,000	1,300.00	"	"	55.20	4.2	4.2	"	41.40
Sheep . . . . .	22,000	1,320.00	"	"	60.00	2.4	2.4	"	46.00
Dressed Poultry . . . . .	21,000	2,500.00	Mineral Point	"	60.00	3.3	3.3	Ellwood	52.90
Bags . . . . .	21,000	1,800.00	"	"	60.00	12.0	12.0	"	60.00
Butter . . . . .	20,000	1,500.00	"	"	60.00	12.0	12.0	"	60.00
Hard Coal . . . . .	60,000	210.00	Milwaukee	Heinemann	45.00	21.0	35.5	Iowa, Distance Tariff	79.20
Soft Coal . . . . .	1,400	45.00	"	"	30.00	33.3	33.3	"	37.7
Sand . . . . .	60,000	8.00	Janesville	Milwaukee	19.35	241.9	71	"	51.60
Gravel . . . . .	60,000	8.00	"	"	19.35	241.9	71	"	51.60
Stone . . . . .	60,000	12.50	Greenleaf	Milwaukee	13.50	108.0	65	"	25.50
Lumber . . . . .	60,000	400.00	Superior	Milwaukee	60.00	15.0	41.6	"	204.0
Sash and Doors . . . . .	40,000	1,200.00	Chicago	Merrill	44.00	3.7	3.7	"	78.00
Oils, Illuminating . . . . .	50,000	575.00	Milwaukee	Merrill	80.00	13.9	13.9	"	45.20
Oils, Lubricating . . . . .	26,000	1,250.00	"	"	80.00	13.9	13.9	"	85.50
Iron, Pig and Bloom . . . . .	60,400	480.00	Mayville	Chicago	20.25	4.2	4.2	"	48.40
Castings . . . . .	60,000	1,800.00	Eau Claire	Milwaukee	75.00	4.2	265	"	42.40
Machinery . . . . .	60,000	7,500.00	"	"	117.0	1.6	265	"	109.80
Bar and Sheet Metal . . . . .	60,000	7,800.00	Milwaukee	Eau Claire	75.00	9.4	265	"	123.00
Flows . . . . .	40,000	10,000.00	Racine	"	80.00	3.8	3.8	"	109.80
Farm Wagons . . . . .	35,000	1,870.00	"	"	80.00	4.4	288	"	87.20
Harvesters . . . . .	26,000	1,400.00	Milwaukee	Racine	80.00	5.7	288	"	87.20
Common Buggies . . . . .	22,000	1,900.00	"	"	80.00	4.2	288	"	82.00
Line . . . . .	24,000	18.00	Waukesha	Star Lake	24.00	133.3	312	"	87.20
Cement . . . . .	40,000	1,28.00	"	Eau Claire	32.00	25.0	265	"	134.7
Plaster . . . . .	30,000	75.00	"	"	30.00	40.0	265	"	36.80
Brick . . . . .	50,000	90.00	Green Bay	Marinette	15.00	16.7	16.7	"	27.60
Beer . . . . .	24,000	350.00	Milwaukee	Eau Claire	36.00	10.3	235	"	20.60
Furniture . . . . .	20,000	1,000.00	"	"	40.00	4.0	4.0	"	22.52
Paper . . . . .	40,000	4,000.00	"	"	40.00	1.0	235	"	12.65

**COMPARISON OF FREIGHT PER CAR IN WISCONSIN AND IOWA.**



calculated to give the people any occasion for alarm over the exercise of the taxing power by the transportation companies.

This is intended as an exposition of the situation in Wisconsin, and therefore rates have been selected which will represent a fair distance for which the commodity specified is handled, in actual experience, and places from which the commodity actually moves have in each instance been taken. So far as possible points have been selected wholly within the state of Wisconsin, so that a fair comparison can be had with the distance tariff of Iowa. In some commodities there is practically no movement whatever within the state of Iowa, and in those commodities the comparison has been based on Chicago, which is their natural market. In every case in which a rate wholly within Wisconsin is used it is compared with a rate wholly within Iowa except in the case of sash and doors, where the natural movement of the commodity in Wisconsin is largely outside the state, and in Iowa largely within the state.

In the preparation of this comparison an effort has been made to compare the actual conditions of traffic as they exist, and not mere rates for traffic that is not shipped.

This table bears out more in detail than the analysis of traffic presented herewith, the actual adjustment of rates to conditions which is afforded by the Wisconsin system as opposed to that of Iowa.

It is not contended that there is any fixed ratio of tax which commodities may bear for transportation, but this table does show that there is no disproportion-

ate adjustment of this tax. There is no fixed sum at which all commodities will move; the rate must be adjusted to the nature of the commodity. And yet, there is a sum below which the revenue from the transportation of a car cannot go. For these reasons the low value commodities must, in general, bear a higher ratio of transportation tax. Bulk is an element which enters into this question also. The amount of a commodity which can be loaded into a car is a factor in determining the value which can be transported for the unit of cost. It is therefore of interest to note the amount which is the usual load for a car, in connection with the percentage of freight to value.

Wheat and rye are loaded 50,000 pounds to the car, and in Wisconsin show a tax of 12.5 per cent. for transportation. Barley, which loads a tenth less bulk to the car bears a tax of 2 per cent. more. On the other hand, oats, which load  $\frac{3}{10}$ th less to the car, bears the same tax. Here the difference in value comes in as a factor, as it is necessary to provide transportation for the oats at a rate that will make their movement profitable. While corn loads 50,000 pounds to the car on account of its bulk and its price the value of the load is only two-fifths of that which can be carried in wheat. In Wisconsin the rate on this commodity amounts to 31.2 per cent. of its value, while in Iowa it amounts to 27.5 per cent. It is interesting to note in this connection that the last census reports the production of corn in Iowa at 383,453,190 bushels, the largest production of any state in the Union, while that of Wisconsin only amounted to 53,309,810 bushels. It is probable that as between Wisconsin and Iowa the volume of traffic has some effect on the rate. Both

rates here compared are interstate rates, and subject to adjustment to meet traffic conditions. Potatoes, which carry a light load to the car, and a small aggregate value, on account of their cheapness and their bulk, bear a transportation tax of 24 per cent. in both states.

When we come to live stock, we find at once the effect of high value on the percentage of freight. All these weights are light, yielding a small tonnage, and owing to the character of the service, bearing a relatively high rate per hundred weight. But because of the high values carried, the ratio of freight to value is very low. There is no substantial difference between the rates in Iowa and Wisconsin. It will be noted that the percentage for butter goes up as the value transported comes down.

In coal we find a very low value per car, coupled with bulk and weight, and here we find a very striking illustration of the system of adjusting rates to conditions. Wisconsin has no coal, and all that is used must be transported. It must be transported cheaply or it cannot be profitably used. It is better that the people of the state should pay more on some commodities that will well stand the additional tax, and get their coal cheaper, than it is that on the one hand they should have each individual commodity transported at exactly its fair rate. If the merchandise rates were cut squarely in two, it would not make any difference to the consumers in Wisconsin, for there would not be enough difference so that it could be computed per hat, or per suit of clothes, or per lead pencil, or per paper of pins. But if the rate on coal, which is now very low,

were put where it would of itself produce a revenue satisfactory upon that item itself, every consumer of coal in Wisconsin would feel the burden, and many of its industries would sustain severe loss. In hard coal it is to be expected that Wisconsin would be at an advantage, because she has the benefit of her lake ports. But there is nothing in the water competition that would give her the advantage of the difference between 21 per cent. and 37.7 per cent. which she actually enjoys. In soft coal the situation is quite different. Iowa mines soft coal, and it is the leading feature of the tonnage of her railroads. Her coal, it is true is of an inferior quality, and this makes the transportation tax heavier, but the rate per car is higher, by itself. As it is, Wisconsin transports the soft coal for 33.3 per cent. of its value, while the freight in Iowa for the same distance, under the Iowa distance tariff is 114.7 per cent. of its value. This, which has been so frequently urged upon the attention of the people of Wisconsin, is the comparison of a rate in Iowa made under government control with a rate in Wisconsin made by the railways and revised from time to time as the needs of commercial conditions demanded.

In sand, gravel and stone, all low grade commodities of bulk, the percentage of freight to value is necessarily very high, and in Iowa very much higher than in Wisconsin.

In lumber, bulk weight and low values make the percentage higher than is normal, but in this again the shipper is at a distinct advantage, wholly within the state of Wisconsin, over the shipper on the Iowa distance tariff for the same number of miles. The ad-

vantage in Wisconsin is almost a quarter of the Iowa rate.

The commodities which are compared in this table constitute the principal items of traffic in the two states and, taken together constitute 60.02 per cent. of the traffic of Wisconsin, and 76.45 per cent. of the traffic of Iowa. Almost without exception where there is any material advantage shown by this comparison in favor of Iowa, it is on a commodity in which there is no traffic in Wisconsin, such as rye, barley, etc., and there are many instances, such as soft coal, in which, if the railways could adjust the tariffs on their other commodities so as to distribute the load equitably, Iowa would enjoy the same advantage as Wisconsin. The other items of the table show the same general condition as those specifically reviewed here. There is no standpoint from which the actual results of railway regulation in either Iowa or Texas can be made to afford any comfort to the advocate of similar action on the part of the people of Wisconsin.

#### THE EARNING CAPACITY OF THE RAILWAYS OF WISCONSIN.

It would seem as though the reasonableness, and justness and equitableness of the railway freight rates of Wisconsin had been demonstrated as thoroughly as it is possible to make any matter the subject of proof, whether they are considered with reference to their adjustment as related to the different rates within the state, or with reference to the much compared rates in force under government control in the State of Iowa. It would seem that the irrefutable facts of commerce, as they are disclosed by the impartial pages of the

Federal census, argue strongly enough for the Wisconsin system of freight adjustments as opposed to those, or rather the lack of those in force in Iowa, and those which are very much in force in Texas. But, after all this there is yet to be met the universal cry that even if equitable and just in themselves, the rates as a whole are too high because the companies are making too much money.

There seems to be an insurmountable prejudice to meet, whenever the question of railway finances is discussed. There is a well settled conviction in the mind of the public that in some mysterious way the vast properties which the railways own and operate have been conjured out of the air, and that the stocks for which people have paid their money, and the bonds which are mortgages on those properties, represent a vast financial aquarium for the proper maintenance of which the public is to be unjustly taxed.

Whatever water there may ever have been in the railway stocks of America, and it would be useless to attempt to deny that there was at one time a large amount of fictitious stock on which it was vainly attempted to earn dividends, that water was all very thoroughly and effectually squeezed out in the drastic reorganization plans which were accomplished a few years ago. That was the purpose of the reorganizations and the object was accomplished, as is amply attested by the prosperity which has followed the readjustment of the securities. But, this was a condition which never existed in Wisconsin, and which does not enter into the consideration of the question in this state. The reports of the railroad commissioner, and the action of the state tax commission in making its

assessments upon the railroads of the state, show that the companies have more property than their stocks and bonds, and that they are therefore under- and not over-capitalized.

For the past ten years only a very few of the railroads that do business in Wisconsin have been able to pay any dividends at all. The following list comprises all the companies reported by the Railroad Commissioner, and the number of those paying dividends includes all those who have declared dividends, whether they were declared or earned in or for Wisconsin, or for the whole line of interstate roads:

Year.	Number Companies.	Number Paying Dividends.
1892	30	7
1893	39	6
1894	38	6
1895	34	5
1896	37	7
1897	44	5
1898	46	7
1899	52	7
1900	49	11
1901	50	11

These figures do not indicate the general prevalence of undue prosperity among the railroads of the state.

The earnings of the Chicago, Milwaukee & St. Paul Railway for the past ten years show an increase in the per cent. of net earnings to stock and debt gradually rising from 4.87 in 1895 to 7.16 in 1904. What business enterprise is there within the state of Wisconsin that would have been willing to continue its operations during ten years that showed no better returns than these? There is not a gentleman in the state of Wisconsin today who may declaim ever so loudly against the robbery

of the people by the railroads, who would be willing to conduct his private business with the risks attendant upon railway operation, on the meager returns which the managers of railway properties are content to consider prosperous. There is not a merchant in the state who would consider ten per cent. a fair return for the risks of merchandising, a business in which he can at least refuse to sell if the price is not satisfactory, while the railway must carry whether the return is satisfactory or not.

But, it is charged that in addition to paying dividends and interest charges, the company has accumulated a surplus, amounting to about 10 per cent. of its total stock and bonds. This surplus, the accumulation of the forty years of its existence—amounting to less than a quarter of one per cent. a year—is a source of pride to the officers of the Chicago, Milwaukee & St. Paul Railway, a means of security to its owners, and a protection of its service to its patrons. Giving to the people dependent upon it for transportation service the best service of which its organization is capable, giving them this service at rates just, equitable and constantly lowering as the volume of business increases, this surplus, about which so much has been said, has been put as an anchor to windward against the storms that are sure to come, and which are being materially hastened by the unreasonable and baseless assaults upon the management of the properties which are being made with renewed vigor by those who seek to make political capital out of the passions and prejudices of the people. The accumulation of a financial surplus by a railway company is as necessary to its prosperity, if it can be accomplished without imposing undue burdens upon the patrons of the road, as is the purchase of a supply of coal to meet

the needs of its engines. It would be as wise to require the company to buy its coal by the tender full as it would be to require it to get its money from hand to mouth. The only reason that a reasonable surplus in the railway business is large, is because the business is large. A bank that paid the same dividends upon its stock, and accumulated in ten years a surplus of only 10 per cent. of its capital would be out of business for want of stockholders. Why should the railway company be denied in a limited way the very safeguards of business which those who are loudest in demanding the restriction of, are most eager to enjoy for themselves without limit?

The right of a railway company to earn more than a fair dividend in times of prosperity and to accumulate a surplus, was recently sustained by such eminent authority as the Hon. Martin A. Knapp, chairman of the Interstate Commerce Commission. He says:

"Ought not a railway to be allowed to accumulate, in some form, a surplus during fat years which may tide over subsequent lean years? To this we would unhesitatingly answer in the affirmative. In times like the present a railroad company should be allowed to earn something more than a merely fair return upon the investment."

The figures for Wisconsin only, do not show anything upon which a fair judgment can be predicated. The data as to debt and earnings for Wisconsin only, are not obtainable, for the very simple reason that there is no such thing as either stock, bonds or net earnings for Wisconsin. The Chicago, Milwaukee & St. Paul Railway is a corporate entity, and not a commercial federation. Business done upon any of its lines in any of the states through which it passes, becomes earn-

ings of the company, and expenses of operation and maintenance in one state are a factor in the net earnings of business done in other states. The operations of one state cannot be separated from all the other business of the company, and identified as business of that state. For the purposes of taxation, and for the purpose of reports, such separations have been arbitrarily arrived at, sometimes upon a proportional basis, sometimes upon the basis of train revenue miles, and as a matter of fact upon whatever basis the law or the requisition of the commissioner demanded. These figures do not show the data of net earnings accurately enough to base any determinations upon them. The intermixture of through and local business is so thorough that it is a mathematical impossibility to separate them. For this reason the rule has been recognized by the courts and by the Interstate Commerce Commission, and is the universal rule, and indeed the only one that could be founded upon reason, that a railway company is entitled to earn a fair return upon all its investment out of all its business.

But, in Wisconsin, there is another basis upon which the charge that the Chicago, Milwaukee & St. Paul Railway earns too much money out of its present rates is effectually disposed of. The state itself, by its tax commission has fixed the valuation of the property of the company within the state at \$40,719 per mile. If this is a fair basis for taxation, and the state itself has said that it is, then is it not a fair basis for earnings? If this is a fair basis for earnings, then at 6 per cent. the company would be entitled to earn \$2,443.14 per mile, which is \$277.57 more than it has averaged to earn for the last ten years, and \$33.87 per mile

more than it earned last year, one of the most prosperous years it has ever had. In the face of these facts it is apparent that the earnings of the St. Paul Company have not exceeded an amount which any well managed and prosperous business of such magnitude ought to earn.

#### GROSS EARNINGS OF THE CHICAGO, MILWAUKEE & ST. PAUL RAILWAY COMPANY IN WISCONSIN.

Much attention has been given to the statements contained in the executive message to the present legislature, purporting to give the gross earnings of the St. Paul Railway in Wisconsin as compared with the other states through which it passes, as further evidence that the rates of freight in Wisconsin are too high. It may be said that the evidence that freight rates in Wisconsin are too high is, so far as it has been presented, all of about the value of the proof which these figures afford. The gross earnings of the St. Paul Railway in Wisconsin have nothing whatever to do with the freight rates in Wisconsin. Those earnings are the result of the tonnage moved, and fully half of it is tonnage which passes through the state, neither originating nor terminating within the state, and on which the freight rates of the state have not the slightest effect whatever. The gross earnings are determined by the volume of business and not by the rate of freight. A large volume of business at a lower rate of freight will produce a higher gross earning than a smaller volume of business at a higher rate. In the case of Wisconsin, the volume of tonnage is swelled by a large amount of traffic from North and South Dakota, Minnesota and Iowa which passes through the state on

the way to Chicago, and by a large amount of tonnage from Chicago to those states. This is tonnage which is not affected by Wisconsin rates in the revenue which it produces, and, while the people of Wisconsin pay no part of the freight charges upon this large tonnage amounting to fully one-half the entire tonnage of the state, under the former system of taxation it was a source of constant revenue to them in the addition to gross earnings which it presented for taxation in Wisconsin. On all of the business from all these states which pass over Wisconsin lines, there is a longer haul in Wisconsin than in any of the other states, and therefore a larger proportion of the gross earnings would appear in Wisconsin than in any of the other states. It is this which accounts for the fact that the gross earnings in Wisconsin are larger than in any of the other states. The gross earnings of Wisconsin are also increased in some measure by the fact that the system of rates in force fosters business. The combined manufacturing product of North and South Dakota, Iowa and Minnesota, is only 25 per cent. greater than the manufactured product of Wisconsin alone, and the St. Paul road covers the whole manufacturing field in Wisconsin more thoroughly than it does in any other of the states in which it operates. This of itself would make a very material difference in the gross earnings of the company in Wisconsin, for gross earnings are dependent on tonnage, and not rates.

The statement made in this connection that the apportionment of the expenses as between the states on the train revenue mile basis is a method peculiar to

the St. Paul Railway Company is not true. This is the method which the railway commissioners of the various states require the companies to use, under the rule adopted by them in annual convention, taking effect July 1, 1895. This rule is complied with by all the interstate roads, so far as we have any knowledge. The rule will be found in the proceedings of the National Association of Railway Commissioners for 1895, at page 38 of the report of those proceedings. I do not hesitate to assert upon the authority of the auditing department of the St. Paul road, that the operating expenses for Wisconsin compiled under this rule, are considerably less than the actual operating expenses in the state.

It should also be noted that in these figures the executive message is also misleading by the method familiar to those who have followed the manufacture of railway statistics in Wisconsin, in that it includes revenue from all sources in a comparison which is applied to the argument of freight rates. The following analysis of the statement discloses its gross inaccuracy:—

**GROSS EARNINGS IN WISCONSIN AS STATED BY GOV. LA FOLLETTE.**

Average for 2 years ending June 30, 1903.....	\$14,549,459.94
Less Income—not earnings .....	120,772.19
	<hr/>
	\$14,428,687.75
Operating Expenses—on train mileage basis.....	\$8,160,966.05
Taxes .....	560,971.64      8,721,937.69
	<hr/>
Net earnings Wisconsin.....	\$3,706,750.06
Gross Earnings includes:—	
Freight Earnings .....	\$10,360,452.32
Passenger Earnings .....	2,940,797.12
Mail, Express, & Misc. .....	1,127,438.31
	<hr/>
Total .....	\$14,428,687.75

How much of the passenger revenue credited to Wisconsin as above is derived from passengers transported across the state cannot be stated at this time. Of the freight revenue credited to Wisconsin as above, approximately \$5,250,000 is derived from tonnage transported across the state. Deducting from this operating expenses of \$3,150,000 leaves \$2,100,000 of net earnings derived from this source. Deducting this amount from the net earnings as stated by Governor La Follette, less taxes and income from investments, leaves as net earnings for Wisconsin \$3,606,750.06, which still includes revenue from passengers carried across the state—the amount of which cannot be ascertained at this time. This amount, \$3,606,750.06 is equal to 5.14 per cent. on the value of the property as stated by the tax commission, \$70,200,000.

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In the search for some adequate reason for conferring upon a railway commission the extraordinary powers which are now proposed in these pending measures, sincere effort is confronted with hopeless failure. There is no reason. There is not, and there never has been in the state of Wisconsin, any more dissatisfaction on the part of patrons of the railways with the service afforded them, or the rates charged, than is natural and inevitable in the conduct of any business as large as the transportation business of Wisconsin.

And, whatever laws may be enacted, the same dissatisfaction will exist. It is largely the dissatisfaction that is inherent in human discontent. To some extent it is based upon sound reasons which it is impossible for the railways to remove, and which it would be equally impossible for the state to overcome. The relations between the railways and the people of Wisconsin have, in the main, been cordial and friendly, and free from serious antagonisms, ever since the temporary ebullition of populism passed over the state, and went on its way into deserved oblivion thirty years ago. This present agitation did not come into existence as the result of any popular demand on the part of the people; it is the crystallization of a political issue, manufactured for adventitious purposes. Great issues that spring from the hearts of the people find the leaders that such issues require. Successful politicians find the issues that the conditions of success demand. It is significant that the demand for railway regulation in Wisconsin came first from the political stump, and not from the field, the store, or the factory. Brought forward as a political issue it was carried through successive campaigns with all the skill and cun-

ning of able and successful political generalship. Perhaps never in the history of any state, was any issue ever presented to the people with more consummate skill or more daring cunning than was the railway issue in Wisconsin. And in the face of this most remarkable campaign the people actually recorded their sober judgment against the agitation. There are some features of the recent election in Wisconsin which are very pertinent to the consideration of any legislation upon this subject. In the executive message this year your attention was called to the fact that if any question can be definitely settled by the people of a state, the question of railway regulation was settled by the people of Wisconsin. It therefore becomes of interest to examine just how the question was thus settled.

With no intention of descending to personalities it becomes necessary to consider the remarkable personality of the man behind the issue. It will not be denied by his friends that to an unusual degree he has commanded the personal enthusiasm of his supporters. By the sheer force of his unique and versatile genius, he has made himself a personal issue paramount to all the other issues with which he has been identified. Therefore the vote which was cast for him at the last election may fairly be taken as not only the extreme limit of the support of the people of the state for the issues he represents, but it undoubtedly exceeds that number, by the many whose personal allegiance to a popular leader naturally committed them to issues to which they would have been opposed, had the issues been disassociated from the man. So it is safe to say that the number of people in Wisconsin who are in favor of the regulation of railways as it was ad-

vocated from the political rostrum, is at least no larger than the vote which was cast for Governor La Follette, and, in fact, it is undoubtedly less. In considering the force of public opinion which is behind this movement a most important fact is that upwards of 105,000 citizens of the state, or more than a quarter of the entire voting population, who voted for the head of the ticket on which Governor LaFollette was a candidate, affirmatively expressed their disapproval of the issues to which he was committed, by refusing to vote for him. There is no overwhelming popular clamor for the issues which 105,000 citizens of the state directly and affirmatively reject. Nor was this repudiation of the railway issue confined to those classes who have been referred to as favored shippers or coerced employees. The twenty-five strongest agricultural counties of the state, in which upon the occasion of his first election Governor La Follette received an aggregate majority of over 33,000, gave, last year, an aggregate majority of over a thousand against him. These facts show beyond question, that there is no general sentiment in Wisconsin which will sustain the operation of a law not demanded either by business considerations or public interest. The temper of the people of Wisconsin, as shown by their votes, is not one in which any serious interference with the business conditions of the state will be tolerated, merely as a matter of political expediency. It therefore seems reasonably clear that any bill which goes beyond the convictions on the subject, of the actual minority of the people of the state who are committed to the regulation of railways as advocated by Governor LaFollette, will utterly fail of the popular support in its operation without which

its advocates cannot hope for its ultimate success. Further than this, it must not be left out of consideration that the issue which was presented to the people of the state for their determination was very different in its nature from the legislation which is sought at your hands. There is a material and substantial difference between giving a commission power to regulate rates so that there shall be no injustice in transportation charges, and taking substantially all the power of management of the railway properties out of the hands of the companies that own them, and vesting it in the irresponsible hands of a government commission. It should be borne in mind that this is a question which has not been "settled by the people of the state", for it is an issue that has never been presented for their consideration.

Certainly the people of Wisconsin do not need protection from excessive freight rates. It has been shown here that 66 per cent. of the traffic of the state is carried at an average rate lower than the average for the entire country. It has been shown that in comparison with the rates in force in Iowa, the people of Wisconsin are at no disadvantage. There is no complaint anywhere of excessive freight rates. For twenty-five years the average rate per ton per mile in this country has steadily declined and it has done this WITHOUT THE INTERVENTION OF THE GOVERNMENT IN FIXING RATES. The proportion of the business of the country which is local to the states that control rates is not a large enough factor in the traffic of the country to affect the average of the whole, and the rate for the whole average has declined entirely without reference to the local exercise of state control. It is the natural trend

of the business. It has been said that during the last five years the average rate per ton mile has increased from .73 of a cent to .76 of a cent. That is true. But, during the same period, the increase in the cost of material used, and consumed in operating railways, has advanced about 25 per cent., and the wages of railway employes about 10 per cent. From this it appears that the increase in the cost of operating the railways considerably exceeds the advance shown in the rate per ton mile, and when it is considered that during the same period, commodities in general have risen about 20 per cent. in value, it is seen that the relative amount paid for transportation is lower now than it was five years ago. The fact is, that while there has been a steady decline in railway rates, nearly every commodity that is moved under these rates has steadily advanced in value. And, further, aside from the steady decline in railway rates, the facilities for moving the commodities which have steadily advanced in value, have been greatly improved, at an enormous expense, so that the railways are giving more to-day for less money, and the shipper is paying less for more and better service, than ever before. And, this too, so far as interstate commerce is concerned, and so far as the great bulk of state commerce is concerned, without the government having exercised its power to fix rates. So that the argument of advancing rates is easily disposed of. Rates cannot advance; the current of the stream of commerce is in the other direction. There is no complaint of high rates. And why should there be? The railway rates of this country only average a third of those of Great Britain and France, and half those of Germany, and very largely less than those of any coun-

try in the world in which railways are operated. Sixty-six per cent. of the traffic of Wisconsin is carried at an average rate less than the average rate for the entire country, and all of it at an average less than half that of all other countries.

The whole complaint of the people, and the evil from which they believe they suffer, and from which they seek redress at your hands, is discrimination and rebates. Do not be led into the belief that when they come to you for relief from one thing, they will be satisfied with something entirely different, for which they have not asked you. The law as it stands to-day affords them all the relief which has been proposed in any bill that has been presented here. At the end of any proceeding which may be instituted under any commission which may be constituted, there is the final determination of the matter by the courts, and to that final adjudication either party to any controversy is of right entitled. Any shipper who feels that the rate that is charged is too high, has the right to have the question of its reasonableness tried and determined in court. Under any bill that can be passed by your honorable body creating any kind of a commission with any kind of powers, he still must submit the question to the determination of the courts, and from the courts he must still obtain his remedy. He has that right now without the intervention of a commission, and at present he has the right to the determination of the question in his home court, and before a jury of his own county. We all know from experience that there would be no miscarriage of justice in any litigation that he might have with the railway company over the reasonableness of railway rates in his local court.

His rights are more secure and can be more conveniently asserted now than they could be if the pending bill should pass, requiring him to litigate all these issues in Dane County.

Railway rates are regulated by a competition that no man or men can control. That is the competition of business. The most potent factor in the steady and constant decline of railway rates is the competition between different sections of the country seeking larger markets for their products, and the competition between different lines of business in different sections of the country. What is true the country over, is true locally to Wisconsin. It is the constant effort of the railways to broaden the market of producing areas that constantly lowers the rate per ton mile in response to the economies of constantly increasing tonnage. The railway business is subject to the law of increasing returns, under which the larger the volume of business, the cheaper any unit of that business can be transacted. It is because of this, that without the exercise of the Federal power to fix rates in interstate business, which constitutes the great bulk of the traffic of the country, and with only a very small percentage of the entire tonnage of the business in states locally subject to rate control, the average rate per ton mile has decreased since 1882 from 1.24 cents to .76 of a cent.

From 1873, the railways of Wisconsin have been operated under a maximum rate law which has been forgotten by everyone, shipper and carrier alike. The natural course of business has reduced the rates so far below the maximum permitted by the Vance law, that

it has become a permission of which the railways have not been able to avail themselves, rather than a restriction upon their charges. In Wisconsin there has never been a general advance in rates, and there have been many general reductions.

Frankly, gentlemen, is there anything in this situation which justifies the drastic legislation which is sought? Is there anything in the conduct of the great transportation corporations of the state of Wisconsin which justifies taking the rate-making power from them and placing it in the hands of a commission. I think not. Are we not drifting from the fundamentals of our government and building up a bureaucratic system of government by commission, centralizing in these appointive bodies, not directly responsible to the people, power, that if persisted in, is inevitably subversive of popular liberty? In a recent hearing upon the subject of rate control before one of the Congressional committees, Mr. Joseph Nimmo, Jr., very aptly said:—

“During the last two thousand years there has been going on among the foremost nations of the globe, a political struggle between the advocates of dispensing justice in the conduct of the inter-action of commercial industrial forces through the exercise of the judicial power, and the advocates of accomplishing that purpose through the exercise of autocratic administrative authority, the latter being usually performed by a bureau clothed with autocratic power or with delegated legislative authority. The autocratic governmental method—bureaucracy—was the potential cause of the downfall of the Roman Empire. It was also the chief cause of the French Revolution of 1795. The only civilized nation in which it now prevails as an unrestrained expression of governmental authority is Rus-

sia, where the people are today clamoring for its suppression for the reason that it constitutes an intolerable form of oppression."

So eminent an authority as Judge Cooley, who presided over the Supreme Court of Michigan for more than a quarter of a century, gave that court a high place in American jurisprudence, and who was the first chairman of the Interstate Commerce Commission, was unalterably opposed to granting a commission power to fix rates, which he described as "a dispensing power"; a power which if exercised, exceeds the power of the President of the United States, or the power of the governor of any state.

Of the rights and the duties of the state on this question the learned Chief Justice Dixon of our own Supreme Court said, in 1870:—

"The true intent and object of the power is, that the legislature shall be able to protect the rights and interests of the people, but not that it shall arbitrarily or unnecessarily impair the rights or franchises of the company, or destroy the property of its stockholders. The good faith of the state is pledged against this, and it is not within the range of presumption, that it will ever be done. The individuals owning the property, and whom the corporation represents, purchase it under this pledge and inducement held out by the state. To them it is a matter of mere private business, engaged in under the sanction and encouragement of the state, and for their individual gain and emolument, and the legislature will no more unnecessarily interfere with it, or with the business of the corporation, where it is legitimately conducted, than it will any other private business."

These are words of calm deliberation. They are in the spirit of liberty and law.

The place to enact laws is in the legislative chamber, where deliberation may be brought to the guidance of your actions; not in the heated excitement of political campaigns, where the passions of the people are easily wrought upon. The mandate of the people, even if it were clearly and unequivocally expressed is still subject to the veto of your deliberate judgment; you are here to legislate, not to perfunctorily record the opinion of others. It is so that our laws may have the stability which their importance demands, that their enactment is left to the determination of deliberative bodies, and not to the passing whims of popular clamor. The opinions of the people are always entitled to due weight at your hands, but it is, at the end, for you to determine; not to be determined.

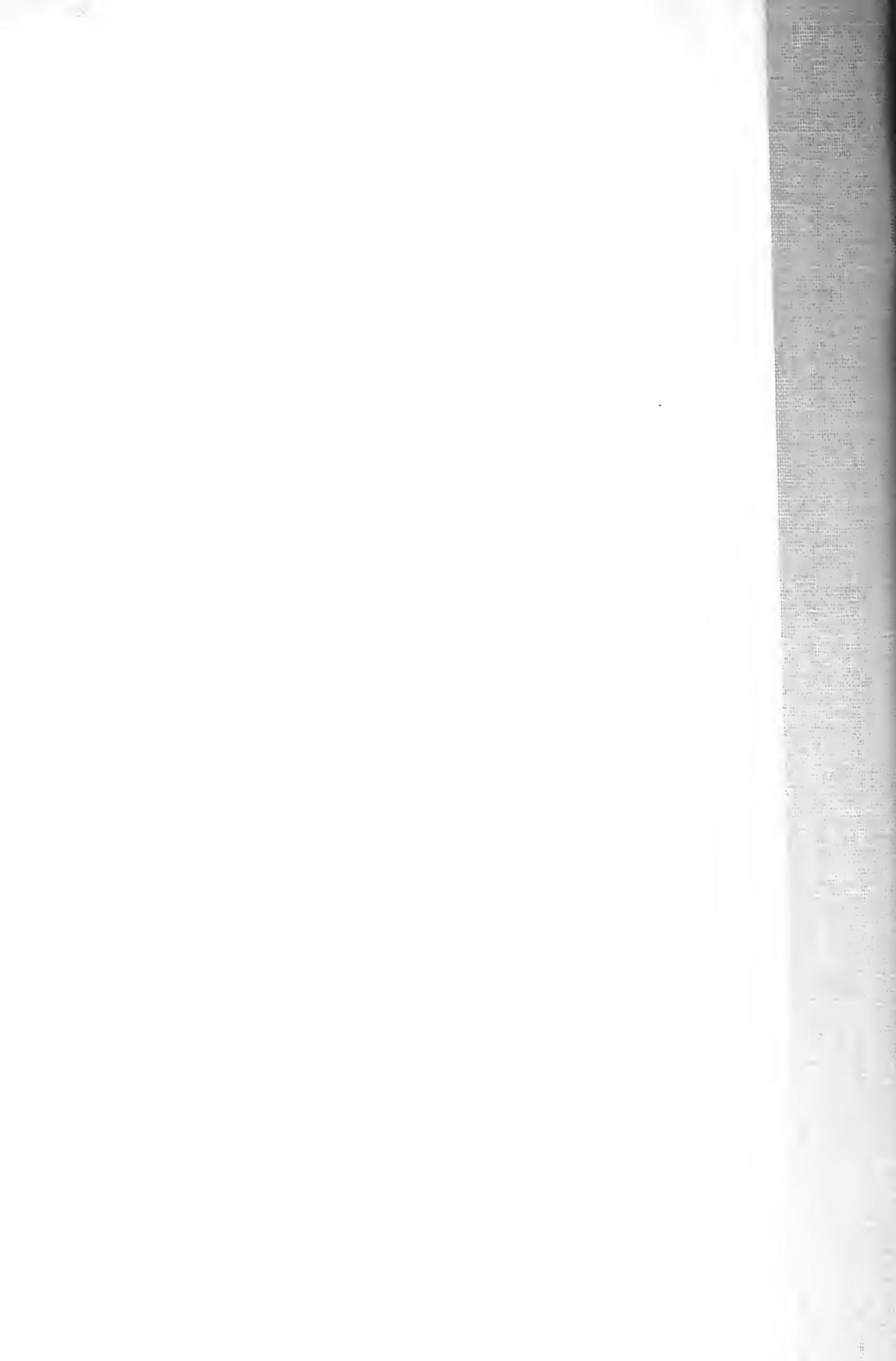
When the State of Wisconsin was a wilderness, the railways pushed their way into its forests, and across its prairies. As the state has developed into one of the peerless commonwealths of the nation, the railway has always been in advance of its development, an important factor in all its growth. Wisconsin and the railway have developed together, until now her railway corporations have spread out over seven great states, and her commerce has extended into all parts of the land. Together they have conquered the wilderness, and built an empire; together they have worked and prospered. In your hands is the determination of much of the future prosperity of both. Without railways Wisconsin must suffer; without Wisconsin the railways must suffer. Their physical separation is impossible. Warfare between them cannot but be disastrous to both. Their destinies are linked together as indissolubly as their history; their past

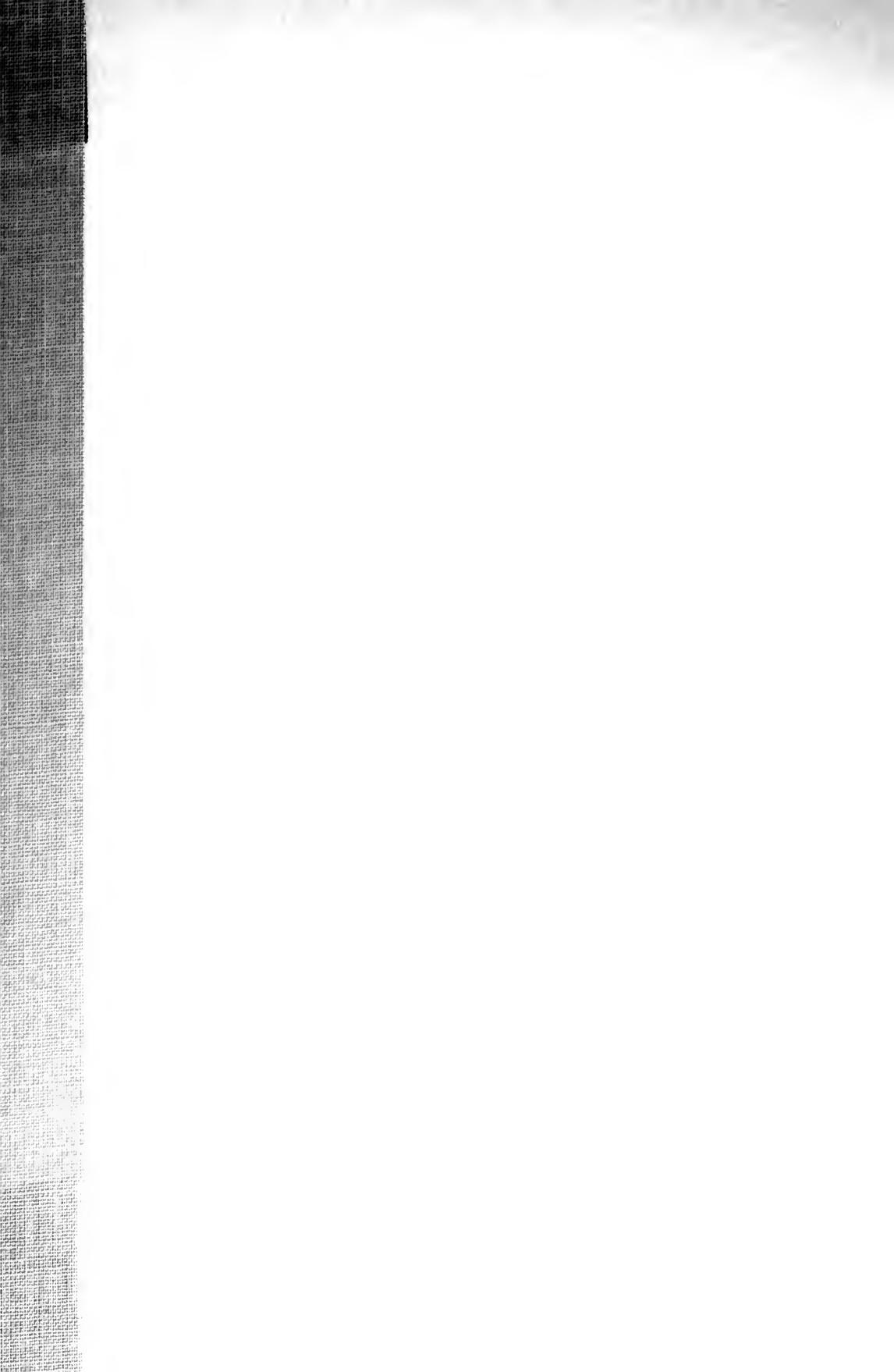
is the best guide to their future. I ask you, gentlemen, in all fairness, and in all candor, to pause and consider well before a blow is struck that will surely separate the interests of the commonwealth and her great carriers. Such legislation as is here proposed is war—war which will of necessity put the carriers on the defensive; war which is bound to lead to endless and expensive litigation between the shippers and the railways, who ought to be at peace, as they have been for more than a quarter of a century.

In closing, I beg that you bear in mind in the consideration of these questions, that the railway interests like the business interests of a community are as a sensitive plant; it need not be struck, but only touched to show where it is wounded.

I ask at your hands nothing but the fullest protection of the rights of every citizen of the state and the fairest measure of exact justice for the railways.







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